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**State:** District of Columbia **First Filing Company:** Pennsylvania Manufacturers' Association Insurance Company, ...

**TOI/Sub-TOI:** 20.0 Commercial Auto/20.0001 Business Auto

**Product Name:** Human Services Program - Commercial Auto

**Project Name/Number:** Human Services - Physical Damage Rate Modification Factor/ORSIU-HS-APD-RF-19

## Filing at a Glance

Companies: Pennsylvania Manufacturers' Association Insurance Company  
Manufacturers Alliance Insurance Company  
Pennsylvania Manufacturers Indemnity Company

Product Name: Human Services Program - Commercial Auto

State: District of Columbia

TOI: 20.0 Commercial Auto

Sub-TOI: 20.0001 Business Auto

Filing Type: Rate/Rule

Date Submitted: 11/15/2019

SERFF Tr Num: OREP-132154151

SERFF Status: Submitted to State

State Tr Num:

State Status:

Co Tr Num: ORSIU-HS-APD-RF-19

Effective Date: 11/20/2019

Requested (New):

Effective Date: 11/20/2019

Requested (Renewal):

Author(s): Jeremy Battles, Kelly Gunning

Reviewer(s):

Disposition Date:

Disposition Status:

Effective Date (New):

Effective Date (Renewal):

**State:** District of Columbia **First Filing Company:** Pennsylvania Manufacturers' Association Insurance Company, ...

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## General Information

Project Name: Human Services - Physical Damage Rate Modification Factor Status of Filing in Domicile: Pending

Project Number: ORSIU-HS-APD-RF-19 Domicile Status Comments:

Reference Organization: Reference Number:

Reference Title: Advisory Org. Circular:

Filing Status Changed: 11/15/2019

State Status Changed: Deemer Date:

Created By: Kelly Gunning Submitted By: Kelly Gunning

Corresponding Filing Tracking Number:

### Filing Description:

Pennsylvania Manufacturers' Association Insurance Company (PMA), Pennsylvania Manufacturers Indemnity Company (PMI), and Manufacturers Alliance Insurance Company (MAICO), members of Insurance Services Office (ISO), are filing to introduce a rate modification factor to the Commercial Automobile Physical Damage pricing for all classes within their new Human Services Program. There is no rate impact resulting from this filing.

Please refer to the attached Actuarial Memorandum and supporting exhibits for additional details.

## Company and Contact

### Filing Contact Information

Kelly Gunning, kellygunning@ircllc.com  
231 W 29th Street, Suite 707 407-595-3218 [Phone]  
New York, NY 10001

### Filing Company Information

Pennsylvania Manufacturers' Association Insurance Company	CoCode: 12262	State of Domicile:
380 Sentry Parkway	Group Code: 150	Pennsylvania
Blue Bell, PA 19422	Group Name: Old Republic Gen	Company Type:
(610) 397-5222 ext. [Phone]	Ins Grp	State ID Number:
	FEIN Number: 23-1642962	

Manufacturers Alliance Insurance Company	CoCode: 36897	State of Domicile:
380 Sentry Parkway	Group Code: 150	Pennsylvania
Blue Bell, PA 19422	Group Name: Old Republic Gen	Company Type:
(610) 397-5222 ext. [Phone]	Ins Grp	State ID Number:
	FEIN Number: 23-2086596	

Pennsylvania Manufacturers Indemnity Company	CoCode: 41424	State of Domicile:
380 Sentry	Group Code: 150	Pennsylvania
Blue Bell, PA 19422	Group Name: Old Republic Gen	Company Type:
(610) 397-5222 ext. [Phone]	Ins Grp	State ID Number:
	FEIN Number: 23-2217934	

## Filing Fees

<b>SERFF Tracking #:</b>	OREP-132154151	<b>State Tracking #:</b>		<b>Company Tracking #:</b>	ORSIU-HS-APD-RF-19
<b>State:</b>	District of Columbia			<b>First Filing Company:</b>	Pennsylvania Manufacturers' Association Insurance Company, ...
<b>TOI/Sub-TOI:</b>	20.0 Commercial Auto/20.0001 Business Auto				
<b>Product Name:</b>	Human Services Program - Commercial Auto				
<b>Project Name/Number:</b>	Human Services - Physical Damage Rate Modification Factor/ORSIU-HS-APD-RF-19				

## Rate Information

Rate data does NOT apply to filing.

State:	District of Columbia	First Filing Company:	Pennsylvania Manufacturers' Association Insurance Company, ...
TOI/Sub-TOI:	20.0 Commercial Auto/20.0001 Business Auto		
Product Name:	Human Services Program - Commercial Auto		
Project Name/Number:	Human Services - Physical Damage Rate Modification Factor/ORSIU-HS-APD-RF-19		

## Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		Human Services Program - Commercial Auto State Exception Page	CA-DC-HS-RF-1 (Edition 11.19)	New		CA-DC-HS-RF-1 11.19.pdf

**COMMERCIAL LINES MANUAL  
DIVISION ONE – COMMERCIAL AUTOMOBILE  
Human Services Program**

**Companies:** Pennsylvania Manufacturers' Association Insurance Company  
Pennsylvania Manufacturers Indemnity Company  
Manufacturers Alliance Insurance Company

**Division:** One – Commercial Automobile

The following additional rule applies to the rating of the Human Services program:

To determine the commercial automobile physical damage premium for all vehicle types, the following additional rate modification factor applies:

Coverage	Rate Modification
Physical Damage	1.97

<b>State:</b>	District of Columbia	<b>First Filing Company:</b>	Pennsylvania Manufacturers' Association Insurance Company, ...
<b>TOI/Sub-TOI:</b>	20.0 Commercial Auto/20.0001 Business Auto		
<b>Product Name:</b>	Human Services Program - Commercial Auto		
<b>Project Name/Number:</b>	Human Services - Physical Damage Rate Modification Factor/ORSIU-HS-APD-RF-19		

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Consulting Authorization
<b>Comments:</b>	
<b>Attachment(s):</b>	1 - Filing Authorization 2019 IRC.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Certification (P&C)
<b>Comments:</b>	
<b>Attachment(s):</b>	Actuarial Memorandum.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
<b>Comments:</b>	
<b>Attachment(s):</b>	DC Filing Exhibits.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
<b>Comments:</b>	Please see the "DC Filing Exhibits" attached above.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	



380 Sentry Parkway, Blue Bell, PA 19422 | T: 610.397.5000

January 30, 2019

Re: Filing Authorization Letter

To Whom It May Concern:

In accordance with the applicable statutes and regulations of your state, Insurance Regulatory Consultants, LLC (IRC), is hereby authorized to submit filings on behalf of the PMA Companies Inc. which includes the following companies:

Pennsylvania Manufacturers' Association Insurance Company (PMAIC) -150-12262

Manufacturers Alliance Insurance Company (MAICO) -150-36897

Pennsylvania Manufacturers Indemnity Company (PMI) -150-41424

This authorization extends to all correspondence regarding this filing.

Sincerely,

A handwritten signature in black ink, appearing to read "Geoff Chester", is written over the printed name.

Geoff Chester

Vice President

Product Management and Development



OLD REPUBLIC INSURANCE GROUP



**PMA COMPANIES  
COMMERCIAL AUTO PHYSICAL DAMAGE  
ACTUARIAL MEMORANDUM**

**Pennsylvania Manufacturers' Association Insurance Company  
Manufacturers Alliance Insurance Company  
Pennsylvania Manufacturers Indemnity Company**

**Human Services Program**

The PMA Companies submit the following rule to incorporate rate modification factors to the Commercial Auto Physical Damage pricing for all classes within our Human Services Program. This is a new program for the PMA Companies, but the program has several years of experience with another carrier.

These rate modification factors are intended to adjust for the difference in the filed loss cost multipliers (LCM) between Pennsylvania Manufacturers' Association Insurance Company and the program's current carrier, as well as to take the program's rate indication into consideration. Please see the enclosed supporting exhibits for details.

There is no rate impact since this program is new to the PMA Companies.

The PMA Companies  
Human Services Program  
Calculation of Auto Physical Damage Rate Modification Factor

(1)	(2)	(3)	(4)	(5)
PMA Loss Cost Multiplier	Current Carrier Loss Cost Multiplier	Indicated Rate Change	Indicated Rate Modification Factor	Selected Rate Modification Factor
1.728	2.209	54.2%	1.97	1.97

- Notes:
- (1) Pennsylvania Manufacturers Association District of Columbia loss coss multiplier.
  - (2) Prior carrier District of Columbia loss cost multiplier.
  - (3) Exhibit 2, row (12).
  - (4) = (2) ÷ (1) × [1.0 + (3)]

**The PMA Companies**  
**Human Services Program**  
**Projection of Auto Physical Damage Rate Need Based on Countrywide Data**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Accident Year	Earned Premium	Annual Rate Change	On-Level Earned Premium	Cumulative Development Factor	Unlimited Incurred Loss as of 12/31/2018	Estimated Ultimate Loss	Estimated On-Level Loss Ratio	Trended On-Level Loss Ratio
2009	6,316	33.9%	9,144	1.000	14,999	14,999	164.0%	288.0%
2010	34,424	16.7%	46,271	1.000	309	309	0.7%	1.1%
2011	71,326	13.1%	83,359	1.000	20,050	20,050	24.1%	38.3%
2012	80,405	-6.2%	91,108	1.000	34,839	34,839	38.2%	58.0%
2013	86,049	19.3%	92,483	1.000	73,824	73,824	79.8%	115.2%
2014	109,301	-5.6%	110,313	1.000	35,762	35,762	32.4%	44.6%
2015	122,088	1.4%	125,893	1.010	61,581	62,435	49.6%	64.9%
2016	163,200	2.4%	165,158	1.020	159,076	161,295	97.7%	121.7%
2017	206,699	0.2%	206,492	1.035	176,294	181,078	87.7%	104.1%
2018	225,044	-0.2%	224,819	1.200	181,082	206,753	92.0%	104.0%
					all year			86.5%
					5 year			93.7%
					3 year			108.9%
					5 year excl. hi/lo			91.0%
(10)	Selected Ultimate Loss Ratio							91.0%
(11)	LAE Factor							1.131
(12)	Ultimate Loss and LAE Ratio							102.9%
(13)	Total Expense and Profit Ratio:							41.0%
(14)	Permissible Loss and LAE Ratio:							59.0%
(15)	Indicated Rate Change							54.2%

**Notes:**

- (2), (3), (6) Historical countrywide data for Human Services program provided by program administrator
- (4) Written premium in column (2) adjusted to current rate level based on the annual rate changes in column (3).
- (5) Cumulative Development Factors based on industry data
- (7) Cape Cod Method estimated ultimate losses
- (8) = (7) ÷ (4)
- (9) Column (8) trended at an annual trend rate of 5% based on ISO Circular AS-CA-2019-019.
- (10) Judgmentally selected based on weighted averages of column (9).
- (11) Selected based on ISO Circular AS-CA-2018-029
- (12) = (10) x (11)
- (13) See Expense Exhibit
- (14) = 1.00 - (13)
- (15) = [(12) ÷ (14)] - 1.00

PMA Companies  
Commercial Auto Physical Damage  
Countrywide Calendar Year Data  
Direct Experience

	2014	2015	2016	2017	2018	5 Year	Selected
1. Direct Written Premium	4,268,568	3,717,901	9,882,456	16,142,407	23,211,826	57,223,158	
2. Direct Earned Premium	4,345,159	4,250,059	6,697,269	13,671,191	19,634,923	48,598,601	
3. Direct Incurred Loss	2,715,727	2,592,540	5,172,469	10,177,296	11,653,069	32,311,101	
4. Incurred LAE	225,700	290,586	639,454	984,125	1,297,757	3,437,622	
5. Commissions	318,256	321,372	2,218,144	3,444,348	5,177,978	11,480,098	
6. Other Acquisition	148,442	138,293	149,263	188,001	290,686	914,684	
7. General Expenses	312,505	292,364	323,173	398,944	479,520	1,806,506	
8. Taxes, Licenses, & Fees	128,252	120,832	271,473	433,845	617,638	1,572,040	
9. Incurred Loss Ratio (3. / 2.)	62.5%	61.0%	77.2%	74.4%	59.3%	66.5%	
10. Incurred LAE Ratio (4. / 2.)	5.2%	6.8%	9.5%	7.2%	6.6%	7.1%	
11. LAE as a % of Loss (4. / 3.)	8.3%	11.2%	12.4%	9.7%	11.1%	10.6%	
12. Commissions (5. / 1.) *	7.5%	8.6%	22.4%	21.3%	22.3%	20.1%	25.0%
13. Other Acquisition (6. / 1.)	3.5%	3.7%	1.5%	1.2%	1.3%	1.6%	1.3%
14. General Expenses (7. / 2.)	7.2%	6.9%	4.8%	2.9%	2.4%	3.7%	3.0%
15. Taxes, Licenses & Fees (8. / 1.)	3.0%	3.3%	2.7%	2.7%	2.7%	2.7%	1.7%
16. U/W Profit & Contingencies							10.0%
17. Total Expenses							41.0%

Notes:

- 12. Commission level for Human Services Program
- 15. State specific data from ISO
- 16. Profit Provision Page 1, Line K

**THE PMA COMPANIES**  
**Countrywide**  
**Commercial Auto Physical Damage**  
Profit Provision Calculation

A. Unearned Premium Reserve	
1. Direct Earned Premium Projected for the First Full Calendar Year	20,343,974
2. Average Unearned Premium Reserve (1) X 0.500	10,171,987
3. Percentage Total of Prepaid Expense	
Commission and Brokerage	25.00%
Taxes, Licenses & Fees	1.70%
50% of Other Acquisition	0.64%
50% of General Expense	<u>1.50%</u>
Total	28.84%
4. Deduction for Federal Taxes Payable	4.20%
5. (2) X [ (3) + (4) ]	3,360,784
6. Subject to Investment = (2) - (5)	6,811,203
B. Delayed Remission of Premiums	
1. Direct Earned Premium	20,343,974
2. Average Agents' Balance	0.362
3. Delayed Remission = (1) X (2)	7,359,831
C. Expected Loss and Loss Adjustment Reserve	
1. Direct Earned Premium	20,343,974
2. Expected Loss & Loss Adjustment Expense Ratio	59.0%
3. Expected Incurred Loss and LAE = (1) X (2)	12,007,175
4. Selected Ratio of Mean Loss Reserve to Incurred Loss	0.300
5. Expected Mean Loss + LAE Reserves = (3) X (4)	3,602,153
D. Net Subject to Investment = (A.6) - (B.3) + (C.5); if < 0, then 0.	3,053,525
E. Average After Tax Investment Income on Invested Assets	2.69%
F. Investment Earnings on Net Subject to Investment = [D] X [E]	82,140
G. Average After Tax Rate of Return as a Percent of Direct Earned Premium = (F) / (A.1)	0.40%
H. Required After Tax Return on Premium	8.31%
I. Indicated After Tax Underwriting Profit Provision = (H) - (G)	7.90%
J. Indicated Pre-Tax Underwriting Profit Provision = (I) / 0.79; rounded to nearest 0.1%	10.00%
K. Company Selected Pre-Tax Underwriting Profit Provision (Net of Inv. Inc.)	<b>10.00%</b>

*Note: The PMA Companies are comprised of the following:*  
*Pennsylvania Manufacturers Association Insurance Company*  
*Manufacturers Alliance Insurance Company*  
*Pennsylvania Manufacturers Indemnity Company*

**THE PMA COMPANIES**  
**Countrywide**  
**Commercial Auto Physical Damage**

1.	Line A.2	
(a)	Direct Earned Premium for CY 2018	19,634,923
(b)	Direct Unearned Premium Reserve as of 12/31/2018	10,730,486
(c)	Direct Unearned Premium Reserve as of 12/31/2017	7,153,583
(d)	Mean Direct Unearned Premium Reserve ((b)+(c))/2	8,942,035
(e)	Ratio: (d)/(a)	0.455
(f)	Selected Ratio:	0.500
	Line A.2 = (f) Selected Ratio X Line A.1	
2.	Line A.4	
	The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve.	
	The total tax payable on the unearned premium reserve equals 4.2% of the year-end reserve (.20 x .21 = .042).	
3.	Line B.2	
	Agents' Balances or Uncollected Premiums: Overdue - Admitted & Non-Admitted	
(a)	Direct Earned Premium for CY 2018	696,466,956
(b)	Uncollected premiums and agents' balances 2018	106,412,328
(c)	Deferred premiums, agents' balances and installments 2018	139,343,625
(d)	Uncollected premiums and agents' balances 2017	112,637,465
(e)	Deferred premiums, agents' balances and installments 2017	145,527,707
(f)	Mean Ratio = { [ (b) + (c) + (d) + (e) ] / 2 } / (a)	0.362
4.	Line C.4	
	Expected Mean Loss Reserves	
(a)	Direct Incurred Losses for CY 2017	10,177,296
(b)	Direct Incurred Losses for CY 2018	11,653,069
(c)	Direct Reserves as of 12/31/2016	732,205
(d)	Direct Reserves as of 12/31/2017	3,876,738
(e)	Direct Reserves as of 12/31/2018	6,428,293
(f)	Mean Loss Reserves 2017 = 0.5 X [(c) + (d)]	2,304,472
(g)	Mean Loss Reserves 2018 = 0.5 X [(d) + (e)]	5,152,516
(h)	Ratio (f) / (a)	0.226
(i)	Ratio (g) / (b)	0.442
(j)	0.5 X [(h) + (i)]	0.334
(k)	Estimated Reserve Discount	1.24%
(l)	Federal Taxes Payable (% of Reserves) = (k) X 0.21	0.26%
(m)	(j) X [1.0 - (l)]	0.333
(n)	Selected Ratio	0.300
5.	Line E	
(a)	Pre-Tax Investment Income on Invested Assets =	3.40%
(b)	After Tax Investment Income on Invested Assets [3.40% x (1.00 - 0.21)] =	2.69%
6.	Line H	
(a)	After-tax return on equity (ROE)	10.67%
(b)	After-tax return on investments (ROI): Line E	2.69%
(c)	ROE minus ROI	7.98%
(d)	Direct Premium / Surplus Ratio	0.960
(e)	Required After Tax Return on Premium: (c) / (d)	8.31%